Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Transport Rate Structure and Pricing	)	CC Docket No. 91-213
	)	
End User Common Line Charges	)	CC Docket No. 95-72
	)	

PETITION FOR RECONSIDERATION of U.S. Long Distance, Inc.

COMES NOW U.S. Long Distance, Inc. (herein after referred to as "USLD") and files this Petition for Reconsideration of the Commissions' First Report and Order adopted May 7, 1997 and released May 16, 1997 in the above referenced proceedings (hereinafter referred to as the "Order.").

I. INTRODUCTION

USLD is one of the country's ten largest telecommunications providers offering long distance services to subscribers in forty eight states. USLD primarily targets small to mid-sized business customers in its marketing strategy, more often focusing on the secondary geographic markets across the United States. As a result of this strategy, many of USLD's subscribers are "multi-line" business subscribers and more often than not are served by USLD via Tandem Switched Transport purchased from the incumbent local exchange carrier. It can therefore be easily established that the Commission's Order in this docket will directly impact USLD's relative cost of providing long distance service, and therefore its ability to remain competitive. The benefits of the competitive viability of carriers such as USLD are conferred directly upon their respective customers, who receive a network quality and level of customer service that is distinguishable from other competitive carriers. Therefore, any inequitable and unilateral change to the competitive viability of carriers such as USLD resulting from the imposition of new access pricing standards diminishes the end users' derived benefit and is therefore not in the public's interest.

II. THE PRESUBSCRIBED INTEREXCHANGE CARRIER CHARGE (PICC).

Pursuant to the Order, beginning January 1, 1998, the PICC for multi-line business customers will be $2.75 / line. That PICC has the potential to increase by more than $1.00 / line per year after that. The Commission optimistically predicts that the multi-line business PICC actually will decline to less than $1.00 / line by the year 2001 due to increased SLCS, residential PICC charges, and the price cap rules. Therefore, the multi-line business PICC is presented by the FCC in this Order as if it were as a transitionary mechanism that they expects to be reduced significantly, or even removed altogether, within three years.

USLD believes, however, that the FCC's decision to establish a higher PICC for multi-line business customers than for single-line residential and business customers and second-line residential customers cannot be adopted because it is not cost justified. Non-cost based discrimination among certain classes of access customers will undermine efficient interexchange market conditions and create uneconomic distortions among various classes of IXCs, and end-user subscribers will therefore be affected, irrespective of the cost of serving those IXCs or subscribers. These inequities will directly impact the investment strategies of potential access competitors and the continued penetration of competition for small business owners long distance services.

USLD believes that Congress' objective that all subsidies must be made explicit [1] is not satisfied by establishing a rate for similar service that is 500% higher for one class of customer that another. USLD proposes as an alternative that local exchange carriers subject to Price Cap rule be permitted to collect no more than $0.53 per line from any class of customer, and that any residual revenue required to recover that LEC's cost of providing service should be collected in the form of a measured access rate element collected on all interexchange traffic from each class of subscriber.

II. THE TANDEM SWITCHING RATE LEVEL.

Pursuant to previous access charge decisions, the current tandem switching rate reflects 20% of an embedded cost revenue requirement. At the time this weighting methodology became effective, the remaining 80% of that revenue requirement was moved into the tandem interconnection charge, or the "TIC," [2] and essentially paid for by all entities including those using direct trunk transport. In the instant proceeding, the Commission calculated the transport transmission rates based upon Special Access rates, which do not include nearly the same embedded overhead loadings. As a result, the

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[1] Telecommunications Act of 1996, § 254(e)

[2] during the transport rate restructure in 1993

Commission held that the remaining 80% of the tandem switching revenue requirement should be moved out of the TIC and into the tandem switching rate effective January 1, 1998. This move makes the underlying cost of providing long distance services imbalanced, giving direct trunk transport carriers an economic advantage that cannot otherwise be overcome by the smaller carriers utilizing tandem switched transport. The Commission's decision in this regard translates into a deadly price squeeze that renders smaller carriers completely unable to continue to provide services they have contracted to provide at profitable rates. USLD understands that by some estimates the cost of tandem switched access, upon which USLD mostly relies, will increase by up to 400%. If suddenly the cost of Mitsubishi automobile engines increased 400% for Chrysler but not for Dodge, is it not clear to see that Dodge will have gained a tremendous competitive advantage over Chrysler which is in no way substantiated by the better judgment or business acumen of the beneficiary?

Furthermore, consumer impact will be felt the most in rural and suburban areas. Due to traffic volumes and ILEC transport network configurations, most long distance carriers are forced to serve rural and suburban areas via tandem-switched transport. The Commission's Order makes it prohibitively expensive for tandem-switched carriers to serve those customers. The result will be widespread withdrawal from that market segment, so that rural and suburban customers have far fewer long distance choices. The few long distance carriers who remain in those areas likely will adopt retail pricing strategies, such as mandatory minimum charges, that significantly increase the rates paid by those customers today.

The Order will necessarily cause a migration of switched access traffic from the tandem-switched option to the direct trunked option. This would be caused not by economic cost differences between the two options, but by the fact that the FCC has required tandem switching to be priced to reflect embedded cost overhead loadings, while requiring direct-trunked transport to be priced at levels close to the underlying economic costs. Given that long distance carriers select between tandem routing and direct-trunked routing for transport, the only rational pricing methodology is to impose consistent overhead loadings on each option.

USLD believes for the foregoing reasons that the Commission should not re-adjust the tandem switched cost components at this time. Instead the Commission should establish the interstate tandem switching rate at the same level as the tandem switching network element rate, or perpetuate the system in effect until this Order was released.

IV. THE UNITARY RATE STRUCTURE.

Prior to the Order, long distance carriers had two options for purchasing tandem-switched transport. One option was referred to as the "unitary rate structure," whereby the carrier paid the ILEC a single per-minute rate for end-to-end tandem-switched transport transmission. The other option was the partitioned (or "three-part') rate structure whereby the carrier purchases the end office-to-tandem link from the ILEC as common transport at a per-minute rate, and the tandem-to-serving wire center link from the ILEC as dedicated transport at a flat rate. Under both options the long distance carrier pays a separate rate for tandem switching. The Commission's Order requires ILECs to delete the unitary routing option effective July 1, 1998, thereby forcing all long distance carriers to purchase tandem-switched transport pursuant to the partitioned or three-part rate structure as of that date.

Virtually all long distance carriers who purchase tandem-switched transport do so pursuant to the unitary rate structure, not the three-part rate structure. In general, the increase will reflect two factors: (i) carriers must pay two sets of fixed charges under the three-part structure, but only one set of fixed charges under the unitary structure; and (ii) carriers must pay airline mileage according to the actual routing of the call, however circuitous, under the three-part rate structure, while carriers pay airline mileage between the end office and the serving wire center under the three-part rate structure. Because tandem routing is used primarily by smaller long distance carriers, the FCC's decision will undermine competitive conditions in the long distance market specifically in the small carrier sector of the industry.

The FCC's decision to abolish the unitary rate structure discriminates unreasonably against tandem-switched transport users. The FCC does not dispute the record evidence in this proceeding and CC Docket No. 91-213 that ILECs often route direct-trunked transport via the tandem location. However, the FCC permits direct-trunked transport users to obtain end-to-end routing at a single rate with airline miles measured from the end office to the serving wire center. That discrimination creates a non-cost based pricing differential between tandem and direct-trunked routing to the competitive disadvantage of carriers who rely upon tandem-switched transport.

USLD believes the Commission should reconsider this requirement, which does not appear to have the support of any industry member or consumer group.

In conclusion, USLD believes that this very important decision restructuring the veritable life-blood of long distance competition - access charges - demands to be implemented in such a manner as to enhance competitive forces and create a diversity of service providers for the end users. At a minimum, this Order should not create artificial competitive barriers which virtually incapacitate smaller carriers or carriers serving rural or low density exchanges. Therefore, the Commission should reconsider the positions stated above and issue an Order correcting these unfortunate errors.

Respectfully submitted,

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